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RULSDMK/DEPT OF TRANSPORTATION WASHDC  
RHMFIUU/FAA NATIONAL HQ WASHINGTON DC  
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SIPDIS  
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STATE FOR SCA/INS AND EEB  
USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD  
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR  
DEPT PASS TO USTR CLILIENTFELD/AADLER/CHINCKLEY  
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT  
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN  
USDA PASS FAS/OCRA/RADLER/BEAN/CARVER/RIKER  
EEB/CIP DAS GROSS, FSAEED, MSELINGER

E.O. 12958: N/A

TAGS: [ECON](#) [EAGR](#) [EAIR](#) [ECPS](#) [EFIN](#) [EINV](#) [EMIN](#) [ENRG](#) [EPET](#) [ETRD](#)  
BEXP, KIPR, KWMN, IN

SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF  
DECEMBER 29, 2008 TO JANUARY 2, 2009

¶1. (U) Below is a compilation of economic highlights from Embassy  
New Delhi for the week of December 29, 2008 to January 2, 2009,  
including the following:

- Trade Figures Decline for Second Consecutive Month
- 3G Telecom Spectrum Auction Postponed
- Most Indian Carriers Cut Domestic Fares
- Parliament Approves LLP Bill
- Blackstone Buys Stake in Seed Firm
- Heavy Fog in Delhi Disrupts Flight and Train Schedules
- New 'Incredible India' Marketing Campaign

#### Trade Figures Decline for Second Consecutive Month

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¶2. (U) Trade data released on January 1 shows a decline in exports  
as well as a slowdown in the growth of non-oil imports. Exports  
contracted by 9.9 percent in November 2008, year over year, after  
declining by 12.1 percent in October. Meanwhile, the growth rate  
for non-oil imports was 3.4 percent in November, the lowest figure  
so far for the year. Previously, import growth for much of the year  
was solidly above 20 percent. Combined with an October decline in  
India's industrial production of 0.4 percent - the first contraction  
since 1993 - slowing or declining trade growth is evidence of  
worsening prospects for the Indian economy, according to Professor  
Biswajit Dhar of the Indian Institute of Foreign Trade.

#### 3G Telecom Spectrum Auction Postponed

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¶3. (SBU) U.S. telecom firm AT&T's representative for India today  
confirmed media reports that India's Ministry of Information and  
Communications Technology (MCIT), Department of Telecom (DOT) has  
postponed the long-delayed auction of third generation (3G) telecom  
frequency spectrum, scheduled for January 16, 2009, until at least  
January 30 and probably later. DOT officials had decided on the  
postponement reportedly at the request of Indian and foreign  
companies seeking more time and also due to the poor response of  
potential bidders among foreign operators, who are concerned about

raising large cash sums in the currently challenging financial markets. In addition, the Cabinet Committee on Economic Affairs (CCEA) has not yet decided on a proposed annual administrative charge to successful 3G spectrum bidders of 2 percent of the highest bid amount, which was recommended by the Telecom Regulatory Authority of India (TRAI), but rejected by DOT's Telecom Commission. Moreover, the Ministry of Finance reportedly sent a letter to DOT recommending a doubling of the previously announced minimum bid price for India-wide coverage for 3G and Wimax spectrum to Indian rupees (INR) 40.4 billion (about USD 800 million) and INR 20.2 billion (USD 400 million), respectively. Such an increase would further dampen foreign interest and delay the auction, the AT&T representative said.

#### Most Indian Carriers Cut Domestic Fares

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¶4. (U) After weeks of mounting pressure from the government and industry groups to cut air fares following a drop in aviation turbine fuel (ATF) prices, some of the major Indian carriers announced lower fares this past Tuesday. State-owned carrier Air India announced major reductions, including cutting basic fares (price before taxes) by 35 to 82 percent on domestic sectors. Jet Airways and its subsidiary JetLite also announced lower basic fares on all domestic flights. According to a statement by the airline, their fares will now be 40 percent lower. Another industry leader, Kingfisher Airlines, pledged to cut fares from January 1 onwards but as of today, has not made an official announcement.

¶5. (U) Despite the October 2008 announcement of the Jet-Kingfisher alliance, media sources indicate there were some internal disagreements and miscalculations as to why both carriers did not announce fare cuts together. Last week, Kingfisher Chairman Vijay Mallya said that it may cut fares if ATF becomes a "declared good," which would bring down sales tax to a uniform level of 4 percent, compared with the current rate of 4 to 26 percent in different states. Also, budget airlines like SpiceJet and IndiGo have also reduced fares by 8 to 10 percent, with the former announcing schemes like INR 99 (about USD 2) on base fares. With the drop in ATF prices expected to help the loss-making airlines reduce their operating costs, these announcements of air fare cuts should help the airlines increase passenger demand.

#### Parliament Approves LLP Bill

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¶6. (U) The Indian Parliament on December 13, 2008 passed the pending Limited Liability Partnership (LLPs) Bill, 2008, which will now enable establishment of a LLP - a business model providing the benefits of corporate limited liability but allowing the flexibility of organizing the internal management along the lines of a partnership firm. Corporate Affairs Minister Gupta has stated that this format would be quite useful for small and medium enterprises in general and for the enterprises in professional services sector, such as legal and accounting services. His Ministry aims to implement the legislation by April 1, 2009.

#### Blackstone Buys Stake in Seed Firm

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¶7. (U) U.S. private equity firm Blackstone has bought a stake in privately-held NSL Seeds, which claims to be the largest hybrid seed company in India. According to unnamed media sources, Blackstone invested Rupees 250-300 crores (USD 50-60 million) for a 20-25 percent stake in NSL in a private transaction. NSL has a market presence in the field crops such as corn, cotton, rice, sunflower, sorghum, millet, and vegetables. It has a strong distribution network of 25 warehouses, 1000 distributors, 20,000 sub-dealers, and a 350-person sales and marketing team. In a press release, NSL group chairman Prabhakar Rao stated, "With their track record in adding value, their global reach and proactive approach,

Blackstone's involvement will be very valuable in our journey from a privately-held company to a publicly-listed worldclass bio-agri franchise."

#### Heavy Fog in Delhi Disrupts Flight and Train Schedules

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¶8. (U) Many north India cities, including Delhi, faced heavy seasonal fog which resulted in many flight delays and diversions, delayed train travel, and longer commutes in and around the capital. The heavy winter fog is an annual phenomenon in Delhi in the winter months. New Delhi's airport, equipped with a new runway with visual range (RVR) machines, had high expectations of ending fog-related delays. However, according to media reporting, this technology was not utilized this week due to poor visibility which hampered exact readings by the machine as well as mechanical failures. Flight operations were heavily impacted most of this week with some being canceled, most being delayed in the morning and late evening hours, and others being diverted to Mumbai or other airports. Also, many trains to and from railway stations in Delhi were running several hours behind schedule due to the heavy fog.

#### New 'Incredible India' Marketing Campaign

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¶9. (U) In the aftermath of the Mumbai attacks, the Tourism Ministry is planning to launch a new "Incredible India" campaign on January 17. This new marketing campaign will focus on a "resolute" India

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whose spirit remains unbroken. The GOI plans to launch print and television commercials focusing on teamwork and unity while promoting various destinations throughout India. A ministry spokesperson told reporters that, "Our campaign is using catch phrases like the global meltdown to turn it into an India-centric campaign. The aim is that the campaign should strike a note with people." In one ad, a visual of a tiger carries a quote by Mahatma Gandhi: "I want all the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any." With the travel and tourism industry severely hit by the global meltdown and the Mumbai attacks, the Ministry is determined to woo back foreign visitors to India. The campaign will launch in major tourist markets like Europe, the US, Canada, Russia, Central Asia, Japan, China, Koreas, Scandinavia, Australia, and New Zealand.

¶10. (U) Visit New Delhi's Classified Website:  
<http://www.state.sgov/p/sa/newdelhi>

¶11. (U) This is the first weekly ECON Office highlights for 2009.  
Happy New Year!

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